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**PAID UP OIL AND GAS LEASE**  
(City of Lake Worth Paid-Up Lease)

This Oil and Gas Lease (this "Lease") is made on this 12th day of February, 2008, between the City of Lake Worth (hereafter called "Lessor," whether one or more), whose address is 3805 Adam Grubb Road, Lake Worth, Texas 76135 and Coyote Petroleum Ventures Limited, (hereafter called "Lessee"), whose address is 115 West 7<sup>th</sup> Street, Suite 1310, Fort Worth, Texas 76102, (collectively, hereafter called the "Parties").

1. **Grant.** In consideration of Ten Dollars and other good and valuable consideration in hand paid, Lessor grants and leases exclusively unto Lessee the land in Tarrant County, Texas, more particularly described in attached Exhibit "A" (the "Land"), for the sole purpose of exploring, drilling and producing oil and gas, laying pipelines and building roads and tanks thereon to produce, save, treat, process, store, and transport oil and gas and other products manufactured from oil and gas produced from the Land.

2. **Primary Term.** This Lease is for a term of Three (3) years from this date (called "Primary Term") and so long thereafter as oil or gas is produced from the Land, or lands or leases pooled therewith, in paying quantities.

3. **Minerals Covered.** This Lease covers only oil and gas, including other liquid and gaseous hydrocarbons, as well as such other minerals or substances as may be produced incidental to and as a part of or mixed with oil, gas and other liquid or gaseous hydrocarbons, produced through the borehole only, but this Lease does not cover sand, gravel, uranium, fissionable materials, coal, lignite or any hard minerals or substances of any type which shall be produced from the Land separate and apart from, or independently of, oil, gas or other liquid and gaseous hydrocarbons.

4. **Royalty.**

(a) As royalties, Lessee agrees:

(1) To deliver free of cost to Lessor at the well(s) or to the credit of Lessor at the pipeline to which the well(s) may be connected, 25% (the "Royalty Fraction") of all oil and other liquid hydrocarbons produced and saved from the Land. At Lessor's option, which may be exercised from time to time, Lessee shall pay to Lessor the same part of the market value at the well of oil and other liquid hydrocarbons of like grade and gravity prevailing on the day the oil and other hydrocarbons are run from the Lease in the general area in which the Land is located.

(2) To pay to Lessor:

(i) On gas produced from the Land and sold by Lessee or used on or off the Land and to which the following subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the market value at the point of sale, use, or other disposition, less the deductions authorized in paragraph 4(d) below.

(ii) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the higher of the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the outlet of the plant.

(iii) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the market value of all residue gas at the outlet of the plant.

(b) The market value of gas will be determined at the specified location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition the oil or gas produced or sold, less the deductions authorized in paragraph 4(d) below. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, then the reimbursement will be added to the total proceeds received by Lessee.

(c) If gas produced from the Land is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above and paragraph 4(d) below.

(d) If Lessee compresses, transports, processes, or treats gas produced from the Land, Lessor's royalty shall not bear any of the costs associated therewith. If a third party that is not an affiliate of Lessee, compresses, transports, processes, or treats gas produced from the Land, Lessor's royalty will bear its proportionate share of costs and expenses associated therewith, provided, however, that any such deductions shall not cause Lessor's royalty to be less than 23% of the gross proceeds received by Lessee.

(e) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will only receive its Royalty Fraction of any payments made for make-up gas taken pursuant to the take or-pay provision or similar provision.

(f) Unless there is a reasonable title dispute or question as to title, Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 90 days after completion of the well, in the case of an oil well, or after the pipeline connection, in the case of a gas well. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the statutory rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute.

(g) As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, or other entity that owns more than ten percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, or other entity in which, together with Lessee, more than ten percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, or other entity is owned or controlled by the same persons or group of persons.

(h) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to Lessor's share of those proceeds, but Lessee will at all time hold Lessor's share of those proceeds for the benefit of Lessor. Notwithstanding the insolvency, bankruptcy, or other business failure of a purchaser of production from the Land or pipeline company transporting production from the Land, Lessee will remain liable for payment to Lessor for, and agrees to pay Lessor all royalties due Lessor together with interest if not timely paid.

(i) Notwithstanding anything contained herein to the contrary, Lessee shall never be obligated to pay royalty on products produced, saved and sold by Lessee under this lease based upon a price higher than that realized by Lessee at the point of delivery (less the deductions authorized in paragraph 4(d) above) nor shall Lessor's royalty on products produced, saved and sold by Lessee under this lease be paid based upon a price lower than that realized by Lessee at the point of delivery (less the deductions authorized in paragraph 4(d) above). For the purpose of this lease, point of delivery shall be defined as that point at which oil and/or gas or any other products produced by Lessee under this lease are no longer owned or controlled by Lessee.

**5. Shut-in Royalty.** After the Primary Term, if there is a gas well on this Lease or on acreage pooled therewith capable of producing gas in paying quantities, but gas is not being sold for a period of sixty (60) consecutive days, and this Lease is not otherwise being maintained, Lessee shall pay or tender in advance an annual shut-in royalty equal to twenty-five dollars (\$25.00) per acre then covered by this Lease for each well from which gas is not being sold. Payment with respect to a well will be due within 60 days after the well is shut-in. Thereafter, Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said sixty (60) day period if upon such anniversary this Lease is being continued in force solely by reason of the provisions

of this paragraph. While shut-in royalty payments are timely and properly paid, this Lease will be considered as producing in paying quantities for all purposes of this Lease. The right of Lessee to maintain this Lease in force by payment of shut-in gas royalty is limited to the period of three (3) cumulative years following the initial sixty (60) day period in which payment is due. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date. At the option of Lessee, which may be exercised by Lessee giving notice to Lessor, a well which has been drilled and Lessee intends to frac shall be deemed a well capable of producing in paying quantities and the date such the well is shut-in shall be when the drilling operations are completed. Notwithstanding anything to the contrary contained in this lease, should a shut-in royalty payment not be properly made in a timely manner as provided for in this lease, unless there is then in effect another applicable preservation provision of this lease, Lessor may, at Lessor's option, elect to terminate the applicable portion of this lease by sending written notice to Lessee by certified mail. Lessee shall then have thirty (30) days from the date of service of such written notice in which to avoid termination of the applicable portion this lease by making or causing to be made the proper shut-in royalty payment. If such shut-in royalty payment is not made on or before the expiration of said 30 day period, or written approval is not obtained from Lessor to defer such payment, Lessor may elect to terminate the applicable portion of this lease by filing a Notice of Termination with the County Clerk in the county where the lease premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk.

#### **6. Continuous Drilling.**

(a) If, at the expiration of the Primary Term, oil or gas is not being produced from the Land, but Lessee has commenced the actual drilling of a well on the Land or land pooled therewith, or shall have completed a dry hole thereon within sixty (60) days prior to the end of the Primary Term, the Lease will not terminate but will remain in effect for so long thereafter as operations on said well or any additional well are carried out with due diligence with no cessation of more than sixty (60) consecutive days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: drilling, testing, completing, fracing, reworking, recompleting, deepening, plugging back, or repairing of a well in search of or in the endeavor to obtain, maintain, re-establish or enhance production of oil or gas.

(b) If this Lease is maintained beyond the expiration of the Primary Term by production or otherwise, it will remain in force as to all acreage and depths as long as there is no lapse of more than one-hundred and eighty (180) days between the completion of one well and the commencement of the actual drilling of another well. The commencement of actual drilling means the penetration of the surface with a drilling rig capable of drilling to the anticipated total depth of the well. After a well is commenced, operations must continue in a good and workmanlike manner in a good faith effort to reach the anticipated total depth with no cessation of operations for more than sixty (60) consecutive days. A well will be deemed to have been completed on the date of completion as shown on the completion report filed with the Railroad Commission of Texas, or ninety (90) days after the release of the drilling rig, if sooner. The permitted

time between wells shall be cumulative so that if a well is commenced prior to the date it is required to be commenced, the number of days prior to the date on which the well should have been commenced shall be added to the time permitted for the next well.

(c) If at any time the maximum time for the commencement of the actual drilling of a well expires without the commencement of the well, or upon the expiration of the Primary Term if the Lease is not maintained by continuous drilling, this Lease will terminate except as to the Retained Tract (defined below) surrounding any well that is then producing in paying quantities or deemed to be producing in paying quantities by virtue of payment of shut-in royalties, and as to each Retained Tract, the Lease will then terminate as to all depths 100 feet below the stratigraphic equivalent of the base of the deepest producing formation on the Retained Tract. The Lease will be treated as a separate lease with respect to each Retained Tract and will continue so long as production in paying quantities continues from the tract. If production from a Retained Tract ceases from any cause, this Lease will terminate as to that tract unless Lessee commences operations on the tract within sixty (60) days after the cessation of production, in which case the Lease as to that tract will continue in force as long as the operations are prosecuted with no cessation of more than sixty (60) consecutive days, and if they result in production, so long thereafter as there is production from the tract.

(d) As used in this Lease, the term "horizontal well" means a well that meets the definition of a "horizontal drainhole well" under Statewide Rule 86 of the Railroad Commission of Texas, and a "vertical well" is a well that is not a horizontal well. The land assigned to a well for the purposes of this Paragraph is referred to as a "Retained Tract." A Retained Tract for a vertical well producing from the Barnett Shale formation may include up to, but not exceed, 40 acres. A Retained Tract for a horizontal well may include up to, but not exceed, 640 acres.

(e) Within 60 days after the last to occur of the expiration of the Primary Term or the continuous drilling program, Lessee must file in the county records and a document designating each Retained Tract by metes and bounds and the retained depths thereunder, and releasing all other depths and acreage. If Lessee fails to file timely a document required by this paragraph after Lessor has provided 30 days prior written notice, then Lessor may do so, and the filing will bind Lessee.

**7. Pooling.** Lessee shall have the continuing and recurring right to pool the Land with other lands or leases in the vicinity to form pooled units for the production of oil and gas or either of them. Pooled units shall conform in size to the requirements set forth herein for a Retained Tract, and any such pooled unit shall be considered a retained Tract for the purposes of this Lease. The unit will become effective when Lessee files in the Real Property Records where the Land is located a document describing the pooled acreage and depths for the pooled unit and Lessee shall make a copy of the document available to Lessor. Lessee may at its election exercise its pooling option before or after commencing operations. Operations on or production of oil or gas from any part of a pooled unit that includes land covered by this Lease shall be considered as operations on or production of oil or gas from the portion of the Land included in the pooled unit. There shall be allocated to the Land included in the unit that prorated portion of the oil and gas, or either of them, produced from the pooled unit that the total number of surface acres of the Land included in the unit bears to the total number of surface acres included in the

unit. Royalties shall be computed on the portion of production sold by Lessee and allocated to the Land covered by this Lease and included in the unit just as though the production was from the Land. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder. Any unit formed may not be amended without the written consent of Lessor, except that Lessee may amend the unit to include additional leases or otherwise revise or correct the unit provided that any such amendment, revision or correction does not have the effect of reducing the interest of Lessor within the unit. If this lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as above provided. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Lessee agrees that at least 50% of the Land shall be included in the first pooled unit that includes any portion of the Land.

**8. Offset Wells.** For purposes of this Lease, an "offsetting well" is a well that is producing oil or gas from adjacent or nearby land and is draining the Land. If an offsetting well is completed, Lessee must, within one hundred twenty (120) days after the initial sales from the offsetting well, commence operations for the drilling of a well on the Land or lands pooled therewith and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of Lessee: (i) execute and deliver to Lessor a release in recordable form of the acreage nearest to the offsetting well, limited to the formation being produced by the offsetting well; or (ii) pay Lessor a monthly royalty equal to the royalty that would be payable under this Lease if the production from the offsetting well had come from the Land. The obligation of Lessee to either drill a well, release acreage or pay compensatory royalty as required above shall not apply if the acreage nearest the offsetting well is already within a pooled unit or in a Retained Tract having a well capable of producing from the same formation as the offsetting well. In the event acreage is released pursuant to (i) above, and provided the applicable amount of acreage from this Lease is not then allocated to a Retained Tract, the release will cover a tract of a size and shape that will permit the drilling of a well to the producing formation and the creation of a proration unit surrounding the well in compliance with the field rules for the field in which the offsetting well is located, but if there are no field rules, in compliance with the statewide rules of the Railroad Commission of Texas. A producing well located within 330 feet of the Land will be conclusively presumed to be draining the Land.

**9. Secondary Recovery.** Lessee will not implement any repressuring, pressure maintenance, recycling, or secondary recovery operations without the prior written consent of Lessor.

**10. Surface Operations.**

(a) The Land is currently used for municipal purposes and NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE no oil, gas or other drilling, production or transportation operations of any kind, including but not limited to the drilling, placement, or casing of any well, meter, pipeline,

road or other structure shall take place or be situated upon the surface of the Land. No seismic operations shall be conducted upon the surface of the Land whatsoever without express written consent of Lessor. Lessee shall not be permitted any use of the surface lands for any purpose without the written consent of Lessor and Lessee shall have no rights to ingress and egress upon the surface of the Land. Notwithstanding the foregoing, nothing contained in this provision shall be construed as a waiver of the rights of Lessee to utilize the subsurface of the Land, and Lessee shall have the right to exploit, explore for, develop and produce oil, gas and other covered minerals under this Lease from wells from surface locations off the Land, including, but not limited to, directional or horizontal drilling activity which comes under the surface of the Land, provided that such drilling activity shall not penetrate the Land at a depth of less than 500 feet below the surface. This drilling surface waiver does not apply to any surface rights associated with instruments other than this Lease.

(b) Lessee shall not have the privilege of using surface water from the Land. Water from Lessor's creeks, tanks, or wells may not be used by Lessee. If Lessor consents to the drilling of a water well by Lessee, Lessor shall have free use of water produced from the well at all times the well is not being used by Lessee. When the water well is no longer being used by Lessee, it shall tender the well and all related equipment to Lessor, free of cost.

**11. Assignments.** No assignment of this Lease may be made unless the successor operator posts and maintains a performance bond which guarantees the performance of all plugging requirements as required by the Railroad Commission of Texas and any restoration obligations hereunder. Lessor's prior written consent is required for any assignment of this Lease, provided that such consent shall not be unreasonably withheld. Consent to any assignment shall not constitute consent to any other assignment. Any assignment made without Lessor's consent shall be void. Lessee must furnish Lessor a copy of any assignment made pursuant to this Paragraph, with the recording data reflected thereon. Assignment of this lease or any part thereof shall not relieve Lessee, its assignees or any successor of any obligations hereunder theretofore accrued; and any assignee of Lessee must, by acceptance of such assignment, be bound by all terms and provisions hereof. The term "assignment," as used herein, must include, without limitation, any assignment, sublease, farmout, operating agreement, pooling agreement, unitization agreement, assignment, or any other agreement by which any share of the operating rights granted by this lease are assigned or succeeded to, or agreed to be assigned or succeeded to, to any other party.

The provisions hereof shall extend to the benefit of and be binding upon the heirs, executors, administrators, successors, and assigns of the respective parties hereto. No changes or division in the ownership of the land, rentals or royalties shall be binding upon Lessee for any purpose until thirty (30) days after Lessee has been furnished with a certified recorded copy of the instrument or instruments, or copies thereof, constituting the chain of title from the original Lessors.

**12. Force Majeure.** Should Lessee be prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money), from conducting drilling or reworking operations on the Land, or from producing oil or gas, then while so prevented, that covenant will be

suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from producing oil or gas from the Land; and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God; any federal or state law; any rule or regulation of governmental authority; scarcity or delay in obtaining materials, equipment, or labor; delays in obtaining permits; or other causes beyond the control of Lessee (other than financial reasons). Force Majeure shall extend this Lease for a reasonable period of time beyond the end of the actual Force Majeure, in order for Lessee to prepare for and to proceed with conducting the desired operations on or from producing oil or gas from the Land.

**13. No Warranties.** Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties (including shut-in royalties) payable hereunder will be reduced proportionately. If there are royalty interests in oil and gas in the Land now owned by parties other than Lessor, Lessor makes no warranty or representation that this lease grants the Lessee the power or authority to pool such royalty interests, but in the event that pooling is permitted hereunder Lessor's royalty on production from the pooled unit shall be calculated as if Lessee had the power, and had exercised the power, to pool such royalty interests, whether or not Lessee in fact has such authority. In the event Lessor ultimately does not own the Land or owns less than the interest thought to be owned by Lessor at the time of payment of the bonus money for the Lease, Lessor shall not be obligated to return the bonus money, or any portion thereof, under any circumstance. Lessee, at its option, may discharge any tax, mortgage, or other lien or interest and other charges on the Land, and in the event Lessee does so, Lessee will have the option of applying the royalties accruing to Lessor toward payment of same and Lessee shall be subrogated to the rights of the holder thereof.

**14. Curing Defaults.** Should Lessee at any time fail to comply with its obligations hereunder regarding construction, maintenance, or repair within 30 days after written notice from Lessor, Lessor will have the right to do or have done whatever is necessary to fulfill the obligations to its satisfaction, and Lessee shall be liable to Lessor for the reasonable and necessary expenses thus incurred by Lessor, to be paid within ten days after Lessor furnishes to Lessee an itemized written statement of the expenses.

**15. Notices.** All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown for each party. Any party may designate a new address by proper notice to the other party or parties.

**16. Insurance.** At all times while this Lease is in force, Lessee shall acquire and maintain insurance covering all of its operations on the Land, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the



environment, including coverage for the cost of clean up and surface remediation. The coverage shall be in the minimum amount of \$5,000,000.

**17. Indemnity.** Lessee herein shall be solely responsible for full compliance with all rules and regulations of the Railroad Commission of Texas, or any other governmental agency, in all of its operation on the Land and especially including the proper plugging of any well that is to be abandoned on the Land, and does hereby indemnify and agree to hold Lessor harmless against any such rules and regulations. LESSEE SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE INDEMNIFIED PARTIES (AS HEREINAFTER DEFINED) FROM ANY AND ALL LIABILITY, LIENS, DEMAND, JUDGMENTS, SUITS AND CLAIMS OF ANY KIND OR CHARACTER FOR INJURY OR DEATH OF ANY PERSONS OR DAMAGE, LOSS OR DESTRUCTION OF ANY PROPERTY, REAL OR PERSONAL, UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHERWISE, ARISING OUT OF, IN CONNECTION WITH, OR RELATING TO ANY OPERATION OR ACTIVITY CONDUCTED BY LESSEE, OR ITS AGENTS, CONTRACTORS, EMPLOYEES, LICENSEES OR INVITEES, ON OR UNDER THE LAND. LESSEE FURTHER COVENANTS AND AGREES TO DEFEND ANY SUITS BROUGHT AGAINST ANY OF THE INDEMNIFIED PARTIES ON ACCOUNT OF SAID CLAIMS AND TO PAY ANY JUDGMENTS AGAINST ANY OR ALL OF THE INDEMNIFIED PARTIES RESULTING FROM ANY SUCH SUIT OR SUITS, TOGETHER WITH ALL COSTS AND EXPENSES RELATIVE TO ANY SUCH CLAIMS, INCLUDING BUT NOT LIMITED TO REASONABLE ATTORNEY'S FEES. EACH OF THE INDEMNIFIED PARTIES SHALL HAVE THE RIGHT TO PARTICIPATE, AT THEIR SOLE RISK AND EXPENSE AND IN SUCH A WAY NOT TO PREJUDICE LESSEE'S RIGHTS HEREIN, IN THE DEFENSE OF ANY SUIT OR CLAIM IN WHICH THEY (OR ANY OF THEM) MAY BE A PARTY WITHOUT RELIEVING LESSEE OF ITS OBLIGATIONS HEREUNDER. THE FOREGOING INDEMNITY AND ALL OTHER INDEMNITIES OF LESSEE CONTAINED IN THIS LEASE SHALL SURVIVE ANY TERMINATION OF THIS LEASE AND SHALL INURE TO THE BENEFIT OF LESSOR AND EACH OF THE INDEMNIFIED PARTIES. AS USED IN THIS LEASE, THE TERM "INDEMNIFIED PARTIES" REFERS TO LESSOR AND ANY AND ALL OFFICERS, EMPLOYEES, AGENTS, TENANTS, AND INVITEES OF LESSOR.

**18. Miscellaneous Provisions.**

(a) In the event this Lease expires for any reason as to all or any part of the Land, Lessee shall, within 60 days thereafter, furnish Lessor with a written, recordable release covering all of the Land or that portion of the Land to be released.

(b) Nothing in this Lease negates the usual implied covenants imposed upon Lessee.

(c) Lessee will conduct all operations hereunder in compliance with the rules of the Railroad Commission of Texas and federal and state environmental laws and regulations. Upon written request by Lessor, Lessee will give Lessor at least ten days prior notice in writing before conducting actual drilling operations on acreage pooled with the Land. Upon written request by Lessor, Lessee shall furnish to Lessor copies of

applications to drill, daily drilling reports, well tests, completion reports, plugging records, and production reports. Lessor will have the right to inspect and take samples of all cores and cuttings and witness the taking of all logs and drill stem tests. Lessee will divulge to Lessor correct production information as requested by Lessor as to each well. Lessor has the right to be present when wells or tanks are gauged and production metered and has the right to examine all run tickets and to have full information as to production and runs and to receive copies of all run tickets upon request.

(d) The term "production" means production in paying quantities. No obligation of Lessee to pay money under this Lease will be excused or delayed by reason of Force Majeure. Lessee's obligations to pay money under this Lease are to be performed in Tarrant County, Texas. Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease. The execution or ratification by Lessor of any division order, gas contract, or any other document will not alter any provision of this Lease unless the intent to do so is expressly stated in the document. Under no circumstances may Lessee, its agents, employees, or contractors bring firearms or dogs or other animals on the Land or hunt or fish on the Land. Upon written request by Lessor, Lessee agrees to furnish to Lessor a copy of each title opinion or report obtained by Lessee that covers all or any part of the Land together with a copy of each title curative document obtained by Lessee.

(e) Lessor shall have the right to inspect all records of Lessee relating to this Lease, operations conducted on the Lease, the sale and marketing of production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing.

(f) No seismic or other geophysical operations may be conducted by Lessee without Lessor's prior written approval.

(g) This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

(h) Upon 30 days' notice, Lessor shall have the right, no more often than once each calendar year, to call a meeting with Lessee and/or its permitted assigns during normal business hours in Lessee's designated offices to review Lessee's operations on the Land and to discuss Lessee's and/or its permitted assigns' then anticipated operations on the Land or acreage pooled therewith for the succeeding year.

(i) Notwithstanding the requirements of this Lease, Lessee covenants and agrees to comply with the minimum rules and regulations of the City of Lake Worth, as amended, governing the activities contemplated herein (collectively the "Regulations"). In addition, Lessee acknowledges and agrees that this Lease does not constitute, and shall not contractually obligate the City Council of the City of Lake Worth to grant a waiver of any requirements set forth in the Regulations or to approve any application submitted thereunder.

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**19. Environmental Protection Provisions.**

(a) With respect to Lessee's operations under the Lease, Lessee represents and covenants that, at all times during its possession of the Land or of any easements or areas retained under this Lease:

(1) The Land must never be used by Lessee for the generation, storage, or disposal of Hazardous Substances or as a landfill or other waste disposal site.

(2) Lessee will not bury any underground fuel storage tanks on the Land.

(3) None of the equipment owned or used by Lessee on the Land may contain any polychlorinated biphenyls.

(4) No Hazardous Substances or wastes exist in, on, or under the Land as a result of Lessee's operations to the best of Lessee's knowledge.

(5) The Land is in material compliance with all Applicable Laws, as defined below, to Lessee's knowledge.

(6) To Lessee's knowledge, there are no actions, suits, claims, or proceedings seeking money damages, injunctive relief, remedial action, or other remedy pending or threatened relating to (a) a violation or noncompliance with any Applicable Laws; (b) the disposal, discharge, or release of Hazardous Substances; or (c) exposure to Hazardous Substances or any other solid wastes, pollutants, chemical substances, noises, or vibrations to the extent the same arise from any condition related to Lessee's use of the Land.

(7) All necessary plans for development, applications, inspection reports, certificates, and other instruments required under any Applicable Law to be filed by Lessee in connection with the conduct of Lessee's use of the Land will be filed with the appropriate federal, state, and local governmental bodies, authorities, and agencies, and all permits, licenses, or other authorizations necessary for the lawful conduct of Lessee's use of the Land in compliance with all Applicable Laws will be obtained.

(8) If violations of Applicable Laws with respect to the Land or Lessee's operations on the Land are found to exist, Lessor shall have the right and authority to notify any relevant public or governmental agency of the existence of such violations of Applicable Laws.

(9) Lessee will not cause the Land to become a hazardous waste treatment, storage, or disposal facility within the meaning of, or otherwise bring the Land within the ambit of, the Resource Conservation and Recovery Act of 1976, as amended, or any similar state law or local ordinance or other environmental law.

(10) Except for Hazardous Substances originating from the subsurface of the Land (e.g. H<sub>2</sub>S, naturally occurring radioactive materials, and CO<sub>2</sub>), Lessee will not cause a release or threatened release of a Hazardous Substance from or to the Land within the meaning of, or otherwise bring the Land within the ambit of, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended.

(11) Lessee will not cause the discharge of pollutants or effluents into any water source or system, or the discharge into the air of any emissions, which would require a permit under the Federal Water Pollution Control Act or the Clean Air Act, or any similar state law or local ordinance or any other environmental law.

(12) Lessee will not cause any substance or conditions in or on the Land which might support a claim or cause of action under RCRA, CERCLA, or any other federal, state or local environmental statute, regulation, ordinance or other environmental regulatory requirement.

(13) If Lessee determines that a threat to the environment, including but not limited to a release, discharge, spill, or deposit of a hazardous substance has occurred or is occurring as a result of Lessee's operations which affects or threatens to affect the Land, or persons, structures, equipment, or other property adjacent thereto, Lessee must immediately verbally notify: (1) Lessor, and (2) all emergency response centers and environmental or regulatory agencies, as required by law or regulation. Lessee must provide the City Manager and the Fire Chief of the City of Lake Worth with written confirmation of the verbal report within 72 hours. Lessee agrees to cooperate fully with Lessor in promptly responding to, reporting, and remedying a threat to the environment, including the drainage systems, soils, groundwater, waters, or atmosphere, in accordance with applicable law or as authorized or approved by any federal, state, or local agency having authority over environmental matters.

(b) "Applicable Laws" shall mean and include any and all existing or future laws, statutes, rules, regulations, and judicial interpretations thereof of the United States, of any state in which the Land, or any portion thereof, is located, and of any other governmental or

quasi-governmental authority having jurisdiction, that relate to the prevention, abatement, and/or elimination of pollution and/or protection of the environment, including, but not limited to, the federal Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation or Recovery Act, the Clean Water Act, the Safe Drinking Water Act, the Toxic Substances Control Act, and the Hazardous Materials Transportation Act, together with all state statutes serving any similar or related purpose. "Hazardous Substance" shall mean any substance regulated or covered by an Applicable Law except those necessary for oil and gas operations, which are subsequently removed from the Land within a reasonable period of time after necessary use in oil and gas operations.

20. **Binding on Successors and Assigns.** This Lease shall be binding on the parties hereto and their successors, assigns, heirs and legal representatives. Lessor represents and warrants that this Lease and Exhibits thereto have been approved and duly adopted by the City of Lake Worth in accordance with all applicable public meeting and public notice requirements (including, but not limited to, notices required by the Texas Open Meetings Act) and that the individual executing this Lease with the attached Exhibits on behalf of Lessor has been authorized to do so. Lessee represents and warrants that this Lease and Exhibits thereto have been approved by appropriate action of Lessee and that the individual executing this Agreement on behalf of Lessee has been authorized to do so.

21. **Option to Extend.** For the same consideration, Lessor hereby grants unto Lessee, its successors and assigns, the option to extend the primary term of this Lease for an additional two (2) years from the expiration of the original primary term hereof as to all or any portion of the acreage then held hereunder which would expire unless so extended. This option may be exercised by Lessee, or its successors and assigns, at any time during the primary term hereof by paying or tendering to Lessor, the sum of Three Thousand Five Hundred Dollars (\$3,500) per net mineral acre for each acre so extended, which payment shall cover the two (2) years of the extended term and Lessor acknowledges that there will be no rental payments due for or during the extended term. Payment may be made by check or draft mailed or delivered to Lessor at the address stated first above. The bonus payment shall constitute notice to Lessor of exercise of the option. Should this option be exercised as herein provided, it is agreed that Lessee may execute and file of record an appropriate recordable instrument evidencing the exercise of this option.

Executed on the date first written above.

LESSOR: CITY OF LAKE WORTH

By: Walter E. Bowen  
Walter E. Bowen, Mayor

THE STATE OF TEXAS           §  
COUNTY OF TARRANT       §

This document was acknowledged before me on February 13, 2008, by Walter E. Bowen, Mayor of the City of Lake Worth.



Linda Rhodes  
Notary Public, State of Texas

Capte Petroleum Ventures,  
LTD.

LESSEE:

[Signature]

By:

[Signature]

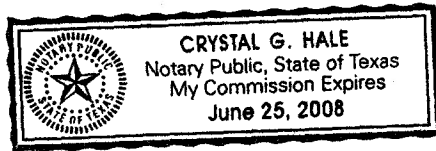
THE STATE OF TEXAS §

COUNTY OF Tarrant §

This document was acknowledged before me on February 15, 2008, by  
Leland Allen Hodges, on behalf of said Capte Petroleum Ventures, LTD

Crystal Hale

Notary Public, State of Texas



## Exhibit "A"

Tract	Acreage
CG Wallis, Blk 4, Lot 12 ✓	(approx) 0.286 ✓
A 188 Tr2Aa06A0.296	0.95 ✓
A 189 2P ✓	0.228 ✓
Highland Lake, Blk 13RA, Lots 1-4 ✓	(approx) 0.925 ✓
Highland Lake, Blk 13RA, Lots 5-8 ✓	(approx) 0.952 ✓
Highland Lake, Blk 14RA, Lots 11-12 ✓	(approx) 0.332 ✓
A 189 Tr 2 ✓	1.33 ✓
Vivian White, Lot 4 "Hodgkin's Memorial Park" ✓	2.128 ✓
Highland Lake, Blk 11R Lots 10-11 ✓	(approx) 0.397 ✓
John Breeding Survey, A188 2Ttt01	0.103 ✓
Shoreview Estates Addition ROW, Lot 4 ✓	0.14 ✓
Total Acreages	7.771

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

COYOTE PETROLEUM VENTRUES, LTD  
306 W 7TH ST STE 701  
FT WORTH, TX 76102

Submitter: COYOTE PETROLEUM  
VENTRUES, LTD

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

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Instrument #: D210047133

LSE

16

PGS

\$72.00

By: \_\_\_\_\_

*Suzanne Henderson*

D210047133

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY  
BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: VMMASSINGILL